

**CITY OF PEOSTA  
PEOSTA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2012**

**CITY OF PEOSTA  
PEOSTA, IOWA  
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**CITY OF PEOSTA  
PEOSTA, IOWA**

**OFFICIALS**

Name	Title	Term Expires
(Before January 2012)		
Dick Avenarius	Mayor	January 2014
Tom Ingles	Council Member	January 2012
Larry Mescher	Council Member	January 2012
Cheri Biermann	Council Member	January 2014
Ray Stephan	Council Member	January 2014
Brian Recker	Council Member	January 2014
Karen Snyder	City Clerk/Treasurer	Indefinite
Jamie Splinter	City Attorney	Indefinite
(After January 2012)		
Dick Avenarius	Mayor	January 2014
Cheri Biermann	Council Member	January 2014
Ray Stephan	Council Member	January 2014
Brian Recker	Council Member	January 2014
Gerry Hess	Council Member	January 2016
Steve Gremmel	Council Member	January 2016
Karen Snyder	City Clerk/Treasurer	Indefinite
Jamie Splinter	City Attorney	Indefinite

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
J.W. HANNAN, CPA  
M.P. RUGGEBERG, CPA  
P.C. MCCARTHY, CPA  
E.A. SCHILLING, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Peosta's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the proceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Peosta as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Peosta's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Peosta's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
January 21, 2013

**CITY OF PEOSTA  
PEOSTA, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Peosta provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2012 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 89.7%, or approximately \$1,750,000, from fiscal year 2011 to fiscal year 2012. The City received approximately \$1,591,000 in bond proceeds from the issuance of \$1,615,000 in general obligation refunding bonds. Property tax decreased approximately \$10,000 and tax increment financing decreased approximately \$15,000 from fiscal 2011 to fiscal 2012.
- Disbursements of the City's governmental activities increased 38.8%, or approximately \$646,000, in fiscal year 2012 from fiscal year 2011. Public safety, public works, general government, and capital projects disbursements increased approximately \$65,000, \$145,000, \$64,000 and \$354,000, respectively.
- The City's total cash basis net assets increased 82.2%, or approximately \$1,348,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$1,391,000 and the assets of the business type activities decreased approximately \$43,000.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and solid waste system. These activities are financed primarily by user charges.

## *Fund Financial Statements*

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$1.068 million to approximately \$2.459 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

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### Changes in Cash Basis Net Assets of Governmental Activities

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	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 634,477	\$ 562,315
Operating grants and contributions	141,260	116,719
Capital grants and contributions	59,124	---
General receipts:		
Property tax	785,542	795,429
Tax increment financing	323,460	338,272
Local option sales tax	142,359	113,485
Unrestricted interest on investments	7,016	7,204
Other general receipts	15,555	16,475
Proceeds from refunding bonds	1,590,775	---
Total receipts	\$ 3,699,568	\$ 1,949,899
Disbursements:		
Public safety	\$ 247,317	\$ 182,106
Public works	242,484	97,974
Health and social services	250	250
Culture and recreation	707,539	731,171
Community and economic development	170,501	160,225
General government	162,853	99,316
Debt service	411,818	379,850
Capital projects	366,308	12,581
Total disbursements	\$ 2,309,070	\$ 1,663,473
Increase in cash basis net assets before transfers	\$ 1,390,498	\$ 286,426
Transfers, net	\$ ---	\$ (6,222)
Increase in cash basis net assets	\$ 1,390,498	\$ 280,204
Cash basis net assets beginning of year	1,068,188	787,984
Cash basis net assets end of year	\$ 2,458,686	\$ 1,068,188

The City's total receipts for governmental activities increased 89.7% or approximately \$1,750,000 from fiscal year 2011 to fiscal year 2012. The significant increase in receipts was primarily the result of the City receiving approximately \$1,591,000 in bond proceeds from the issuance of \$1,615,000 in general obligation refunding bonds. Property tax and tax increment financing receipts decreased approximately \$10,000 and \$15,000, respectively due to a .17248 decrease in the levy rate. The levy rate was decreased due to available cash reserves in both the General and TIF funds.

The cost of all governmental activities this year was approximately \$2.309 million compared to approximately \$1.663 million last year. Disbursements in the public safety function increased approximately \$65,000 from the prior year due to the hiring of a second police officer, an increased contribution to the Centralia Peosta Fire Department for an addition to their building, and fees paid for building code inspections.

Public works disbursements increased approximately \$145,000 due to the purchase of pipe for the Tennis Lane storm sewer project, the addition of six street lights, the lowering of Cox Springs Road, the installation of a coal slag overlay on several streets and the purchase of new equipment for the public works department.

Disbursements in the general government function increased approximately \$64,000 due to repairs needed as a result of the July 2011 flooding and for wages/benefits for a full-time deputy clerk position.

There was also an increase of \$354,000 in capital projects disbursements. The capital projects disbursements were for the "Peosta Street Roundabout" and "Enterprise Drive Reconstruction and Peosta Street Storm Sewer" projects.

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Changes in Cash Basis Net Assets of Business Type Activities

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	Year Ended June 30,	
	2012	2011
Receipts:		
Program Receipts:		
Charges for services:		
Water	\$ 270,126	\$ 221,935
Sewer	313,417	217,857
Garbage	49,070	45,482
General Receipts:		
Unrestricted interest on investments	1,623	3,584
Miscellaneous	11,158	14,832
Total receipts	\$ 645,394	\$ 503,690
Disbursements:		
Water	\$ 356,304	\$ 190,133
Sewer	276,419	177,588
Garbage	55,600	45,879
Total disbursements	\$ 688,323	\$ 413,600
Increase (decrease) in cash balance net assets before transfers	\$ (42,929)	\$ 90,090
Transfers, net	---	6,222
Increase (decrease) in cash basis net assets	\$ (42,929)	\$ 96,312
Cash basis net assets beginning of year	571,156	474,844
Cash basis net assets end of year	\$ 528,227	\$ 571,156

Total receipts for business type activities for the fiscal year were approximately \$645,000 compared to approximately \$504,000 last year. The increase was due to a reimbursement the City received from Royal Oaks Development for cost sharing in the Kelly Oaks Water/Sewer Extension project and increased water/sewer usage by all classifications of customers.

Total business type disbursements increased approximately \$275,000 from the prior year. The increase was mainly due to expenses related to the Kelly Oaks Water/Sewer Extension project, the purchase of equipment, and lift station maintenance.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Peosta completed the year, its governmental funds reported a combined fund balance of \$2,458,686, an increase of more than \$1,390,000 above last year's total of \$1,068,188. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund cash balance decreased \$187,729 from the prior year to \$737,158. The decrease is due to transfers made from the General Fund to fund capital projects expenditures.

The Special Revenue, Tax Increment Financing (TIF) Fund cash balance decreased \$17,546 from fiscal 2011 to fiscal 2012 due to a decrease in the tax levy rate.

The Capital Projects Fund cash balance was \$0 in both fiscal 2011 and 2012. Transfers were made from the General Fund to fund Capital Projects expenditures in fiscal year 2012.

The Debt Service Fund cash balance increased \$1,567,346 from fiscal 2011 to fiscal 2012 and has an ending cash balance of \$1,580,344. The increase was primarily due to \$1,590,775 of general obligation refunding bond proceeds the City received during fiscal year 2012.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

At June 30, 2012, the City's business type funds reported a combined fund balance of \$528,227, a decrease of almost \$43,000 from last year's total of \$571,156. The following are the major reasons for the changes in fund balances of the major business type funds from the prior year.

The Water Fund cash balance decreased \$80,054 from fiscal year 2011 to fiscal year 2012. The decrease was mainly due to expenses for the Kelly Oaks Water/Sewer Extension Project.

The Sewer Fund cash balance increased \$43,343 from fiscal year 2011 to fiscal year 2012. The increase was mainly due to a reimbursement the City received for the Kelly Oaks Water/Sewer Extension Project.

## **BUDGETARY HIGHLIGHTS**

The City Council approved two budget amendments during the year. The first amendment approved on January 10, 2012, increased budget revenues for the Community Centre revenues and the reimbursement from Royal Oaks Development for the Kelly Oaks Water/Sewer Extension Project.

Budgeted expenditures increased for the addition of a 2<sup>nd</sup> full time police officer, July, 2011 flooding expenses, increased expenditures for the Peosta Community Centre, and Capital Projects.

The second budget amendment approved on May 22, 2012 increased budgeted revenues for the debt service advance refunding, additional grants, and reimbursements.

Total budgeted expenditures increased for equipment purchases, benefits for the second full time administrative employee, and capital improvement projects. The City also budgeted for the payment to the City's escrow account related to the debt service advance refunding.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$3,880,000 in general obligation bonds and notes outstanding, compared to \$2,545,000 last year, as shown below.

----- Outstanding Debt -----		
	Year Ended June 30, -----	
	2012 -----	2011 -----
General Obligation Debt:		
2006 street construction	\$ 1,420,000	\$ 1,550,000
2007 WWL aeration/looping/east industrial park	545,000	625,000
2008 sewer improvement	300,000	370,000
2012 bond refunding	1,615,000	---
	-----	-----
Total General Obligation Debt	\$ 3,880,000	\$ 2,545,000
	=====	=====

Debt increased as a result of issuing general obligation refunding bonds for the 2006 street construction and 2007 WWL aeration/looping/east industrial park general obligation bonds. The 2006 and 2007 bonds are callable on June 1, 2014 at which the proceeds from the refunding bonds will be used to pay off the remaining principal balance on those bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's \$3,880,000 in G.O. debt and \$109,647 in TIF payments to be paid to developers in fiscal 2013 are included in this calculation. As of June 30, 2012, the City was at 54.8% of its obligation debt limit of \$7,276,715.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Peosta's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and rising fuel prices. The City has experienced steady residential, industrial and commercial growth for a steady increase in taxable valuation. The City continues to subsidize the Community Centre and street expenditures exceeding road use tax receipts through the General Fund.

For the year ending 2013, the City will begin reconstructing Burds Road from Walnut Ridge to Cox Springs Road. This project will be financed with G.O. Bonds. The tax levy rates per \$1000 of taxable valuation for fiscal 2013 are provided below:

General Levy	\$6.17228
Debt Service Levy	\$1.67872
	-----
Total	\$7.85100
	=====

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Karen Snyder, City Clerk, 7896 Burds Road, Peosta, IA 52068 or telephone 563-556-8755.

**BASIC  
FINANCIAL  
STATEMENTS**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental Activities:							
Public safety	\$ 247,317	\$ 32,010	\$ ---	\$ 59,124	\$ (156,183)	\$ ---	\$ (156,183)
Public works	242,484	---	130,610	---	(111,874)	---	(111,874)
Health and social services	250	---	---	---	(250)	---	(250)
Culture and recreation	707,539	586,798	10,650	---	(110,091)	---	(110,091)
Community and economic development	170,501	---	---	---	(170,501)	---	(170,501)
General government	162,853	15,669	---	---	(147,184)	---	(147,184)
Debt service	411,818	---	---	---	(411,818)	---	(411,818)
Capital projects	366,308	---	---	---	(366,308)	---	(366,308)
<b>Total Governmental Activities</b>	<b>\$ 2,309,070</b>	<b>\$ 634,477</b>	<b>\$ 141,260</b>	<b>\$ 59,124</b>	<b>\$ (1,474,209)</b>	<b>\$ ---</b>	<b>\$ (1,474,209)</b>
Business Type Activities:							
Water	\$ 356,304	\$ 270,126	\$ ---	\$ ---	\$ ---	\$ (86,178)	\$ (86,178)
Sewer	276,419	313,417	---	---	---	36,998	36,998
Garbage	55,600	49,070	---	---	---	(6,530)	(6,530)
<b>Total Business Type Activities</b>	<b>\$ 688,323</b>	<b>\$ 632,613</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ (55,710)</b>	<b>\$ (55,710)</b>
<b>Total</b>	<b>\$ 2,997,393</b>	<b>\$ 1,267,090</b>	<b>\$ 141,260</b>	<b>\$ 59,124</b>	<b>\$ (1,474,209)</b>	<b>\$ (55,710)</b>	<b>\$ (1,529,919)</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>							
Property and other city tax levied for:							
General purposes					\$ 592,704	\$ ---	\$ 592,704
Debt service					192,838	---	192,838
Tax increment financing					323,460	---	323,460
Local option sales tax					142,359	---	142,359
Unrestricted interest on investments					7,016	1,623	8,639
Proceeds from refunding bonds					1,590,775	---	1,590,775
Miscellaneous					15,555	11,158	26,713
Total General Receipts					\$ 2,864,707	\$ 12,781	\$ 2,877,488
Change in Cash Basis Net Assets					\$ 1,390,498	\$ (42,929)	\$ 1,347,569
Cash Basis Net Assets - Beginning of Year					1,068,188	571,156	1,639,344
Cash Basis Net Assets - End of Year					\$ 2,458,686	\$ 528,227	\$ 2,986,913
<b>Cash Basis Net Assets:</b>							
Restricted:							
Expendable:							
Urban renewal purposes					\$ 7,878	\$ ---	\$ 7,878
Debt service					1,580,344	---	1,580,344
Special revenue purposes					133,306	---	133,306
Unrestricted					737,158	528,227	1,265,385
Total Cash Basis Net Assets					\$ 2,458,686	\$ 528,227	\$ 2,986,913

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	General	Special Revenue	Tax Increment Financing	Capital Projects	Debt Service	Other Non-major Governmental Funds	Total
<b>Receipts:</b>							
Property tax	\$ 588,052	\$ ---	---	---	\$ 192,838	\$ ---	\$ 780,890
Tax increment financing	---	323,460	---	---	---	---	323,460
Other city tax	3,601	---	---	---	1,051	142,359	147,011
Licenses and permits	15,669	---	---	---	---	---	15,669
Use of money and property	4,497	372	---	---	3,197	375	8,441
Intergovernmental	69,124	---	---	---	---	130,610	199,734
Charges for services	615,806	---	---	---	---	---	615,806
Miscellaneous	17,782	---	---	---	---	---	17,782
<b>Total Receipts</b>	<b>\$ 1,314,531</b>	<b>\$ 323,832</b>	---	---	<b>\$ 197,086</b>	<b>\$ 273,344</b>	<b>\$ 2,108,793</b>
<b>Disbursements:</b>							
Operating:							
Public safety	\$ 247,317	\$ ---	---	---	---	---	\$ 247,317
Public works	122,884	---	---	---	---	119,600	242,484
Health and social services	250	---	---	---	---	---	250
Culture and recreation	707,539	---	---	---	---	---	707,539
Community and economic development	20,426	150,075	---	---	---	---	170,501
General government	162,853	---	---	---	---	---	162,853
Debt service:							
Principal	---	---	---	---	280,000	---	280,000
Interest and fiscal charges	---	---	---	---	131,818	---	131,818
Capital projects	---	---	---	366,308	---	---	366,308
<b>Total Disbursements</b>	<b>\$ 1,261,269</b>	<b>\$ 150,075</b>	---	<b>\$ 366,308</b>	<b>\$ 411,818</b>	<b>\$ 119,600</b>	<b>\$ 2,309,070</b>

The accompanying notes are an integral part of these financial statements.

CITY OF PEOSTA  
PEOSTA, IOWASTATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	General	Special Revenue	Tax Increment Financing	Capital Projects	Debt Service	Other Non-major Governmental Funds	Total
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 53,262	\$ 173,757		\$ (366,308)	\$ (214,732)	\$ 153,744	\$ (200,277)
<b>Other Financing Sources (Uses):</b>							
Proceeds from refunding bonds	\$ ---	\$ ---		\$ ---	\$ 1,590,775	\$ ---	\$ 1,590,775
Transfers in	125,317			366,308	191,303		682,928
Transfers out	(366,308)	(191,303)				(125,317)	(682,928)
Total Other Financing Sources (Uses)	\$ (240,991)	\$ (191,303)		\$ 366,308	\$ 1,782,078	\$ (125,317)	\$ 1,590,775
Net Change in Cash Balances	\$ (187,729)	\$ (17,546)		\$ ---	\$ 1,567,346	\$ 28,427	\$ 1,390,498
Cash Balances Beginning of Year	924,887	25,424			12,998	104,879	1,068,188
Cash Balances End of Year	\$ 737,158	\$ 7,878		\$ ---	\$ 1,580,344	\$ 133,306	\$ 2,458,686
<b>Cash Basis Fund Balances:</b>							
Restricted for:							
Urban renewal purposes	\$ ---	\$ 7,878		\$ ---	\$ ---	\$ ---	\$ 7,878
Debt service					1,580,344		1,580,344
Special revenue purposes						133,306	133,306
Assigned for:							
Peosta street roundabout project	254,076						254,076
Streets	200,000						200,000
FEMA reimbursement	6,741						6,741
Unassigned	276,341						276,341
Total Cash Basis Fund Balances	\$ 737,158	\$ 7,878		\$ ---	\$ 1,580,344	\$ 133,306	\$ 2,458,686

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Funds			
	Water	Sewer	Other Non-major Enterprise Fund Garbage	Total
<b>Operating Receipts:</b>				
Charges for service	\$ 270,126	\$ 313,417	\$ 49,070	\$ 632,613
<b>Operating Disbursements:</b>				
Business type activities	\$ 356,304	\$ 276,419	\$ 55,600	\$ 688,323
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ (86,178)	\$ 36,998	\$ (6,530)	\$ (55,710)
<b>Non-Operating Receipts:</b>				
Interest on investments	\$ 530	\$ 781	\$ 312	\$ 1,623
Miscellaneous	5,594	5,564	---	11,158
Total Non-Operating Receipts	\$ 6,124	\$ 6,345	\$ 312	\$ 12,781
Net Change in Cash Balances	\$ (80,054)	\$ 43,343	\$ (6,218)	\$ (42,929)
Cash Balances Beginning of Year	267,757	267,927	35,472	571,156
Cash Balances End of Year	\$ 187,703	\$ 311,270	\$ 29,254	\$ 528,227
<b>Cash Basis Fund Balances:</b>				
Unrestricted	\$ 187,703	\$ 311,270	\$ 29,254	\$ 528,227

The accompanying notes are an integral part of these financial statements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

The City of Peosta is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1933 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Peosta has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque Metropolitan Area Transportation System (DMATS), East Central Intergovernmental Association, the Dubuque County Joint E911 Service Board, and the Centralia-Peosta Fire Department.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Special Revenue, Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for disbursements relating to major capital projects.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Peosta maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amount budgeted in any function.



**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 2 - Cash and Pooled Investments:**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had the following investments:

Investment -----	Carrying Amount -----	Maturity -----
U.S. Treasury Securities	\$ 9,946	December, 2012
U.S. Treasury Securities	9,951	June, 2013
U.S. Treasury Securities	9,958	December, 2013
U.S. Treasury Securities	1,534,967	June, 2014
	-----	
	\$ 1,564,822	
	=====	

The carrying amount of the U.S. Treasury Securities approximates the fair value of the securities as of June 30, 2012.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 3 - Bonds Payable:**

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 285,000	\$ 116,870
2014	300,000	105,780
2015	590,000	93,808
2016	610,000	78,405
2017	530,000	61,670
2018-2021	1,565,000	111,045
Total	\$ 3,880,000	\$ 567,578

On January 1, 2012, the City issued \$1,615,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 2.20% for a crossover advance refunding of the general obligation bonds issued December 16, 2006 and September 15, 2007. The City entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the \$1,525,000 principal on the refunded general obligation bonds when they become callable on June 1, 2014 and the interest from January 1, 2012 to and including June 1, 2014 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The City refunded the bonds to reduce its total debt service payments by approximately \$60,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$51,000.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 4 - Pension and Retirement Benefits:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$37,742, equal to the required contributions for the year.

**Note 5 - Other Postemployment Benefits (OPEB):**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 7 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Medical Associates Health Plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members range from \$281 to \$657 for single coverage and range from \$962 to \$1,333 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$67,185 and plan members eligible for benefits contributed \$3,813 to the plan.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 6 - 28E Agreements:**

As of June 30, 2012, the City was involved in the following 28E agreements:

On November 8, 2000, the City entered into a 28E agreement with the Centralia/Peosta Community Fire Department for the purpose of providing the City of Peosta with fire protection, emergency medical and emergency response services.

On September 23, 2003, the City entered into a 28E agreement with the Dubuque County Sheriffs' Office to provide for mutual law enforcement aid.

On October 14, 2003, the City entered into a 28E agreement with the City of Epworth to provide for mutual law enforcement aid.

On December 9, 2003, the City entered into a 28E agreement with the Centralia/Peosta Community Fire Department for the purpose of providing the City of Peosta with emergency medical ambulance services.

On September 15, 2004, the City entered into a 28E agreement with the Thunder Ridge Estates Homeowners Association, Inc. to provide wastewater and treatment services to the Thunder Ridge Estates Homeowners Association, Inc.

**Note 7- Compensated Absences:**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012 is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 24,000
Sick leave	1,000
	-----
	\$ 25,000
	=====

City employees receive 1.5 hours of compensatory time off work with pay for each hour of overtime worked during the year. Any accumulated compensatory time is payable upon termination. As of June 30, 2012, the City's approximate accrued liability for compensatory time is \$20,000.

The liabilities were computed based on rates of pay as of June 30, 2012.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 8 - Risk Management:**

The City of Peosta is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**Note 9 - Construction in Progress:**

The City entered into a construction contract to build a roundabout on Peosta Street in the amount of \$327,792. Change orders increased the contract by \$4,750. At June 30, 2012, \$78,466 of the construction contract was completed.

**Note 10 - Interfund Transfers:**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue: Local Option Sales Tax	\$125,317
Debt Service	Special Revenue: TIF	191,303
Capital Projects	General	366,308

Transfers are used to (1) move resources from the fund statute or budget requires to collect them to a fund that statute or budget allows or requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 11 - Development Agreements:**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under the agreements are subject to annual appropriation by the City Council.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 11 - Development Agreements: (Continued)**

The payments are payable solely from the incremental property tax received by the City which are attributable to the Peosta Urban Renewal Area and are only made to the extent the City Council determines tax increment revenues are currently available. During the year ended June 30, 2012, the City made economic development payments totaling \$147,551.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

**Note 12 - Subsequent Events:**

Subsequent events have been evaluated through January 21, 2013, the date the financial statements were available to be issued.

**OTHER  
INFORMATION**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 780,890	\$ ---	\$ 780,890	\$ 780,565	\$ 780,591	\$ 299
Tax increment financing	323,460	---	323,460	323,459	323,459	1
Other city tax	147,011	---	147,011	143,768	147,127	(116)
Licenses and permits	15,669	---	15,669	10,819	12,603	3,066
Use of money and property	8,441	1,623	10,064	7,895	6,865	3,199
Intergovernmental	199,734	---	199,734	169,708	180,520	19,214
Charges for services	615,806	632,613	1,248,419	1,026,892	1,180,727	67,692
Miscellaneous	17,782	11,158	28,940	22,900	97,905	(68,965)
<b>Total Receipts</b>	<b>\$ 2,108,793</b>	<b>\$ 645,394</b>	<b>\$ 2,754,187</b>	<b>\$ 2,486,006</b>	<b>\$ 2,729,797</b>	<b>\$ 24,390</b>
<b>Disbursements:</b>						
Public safety	\$ 247,317	\$ ---	\$ 247,317	\$ 242,020	\$ 258,787	\$ 11,470
Public works	242,484	---	242,484	263,648	277,392	34,908
Health and social services	250	---	250	250	250	---
Culture and recreation	707,539	---	707,539	682,244	752,689	45,150
Community and economic development	170,501	---	170,501	169,911	176,075	5,574
General government	162,853	---	162,853	121,473	169,664	6,811
Debt service	411,818	---	411,818	385,213	1,999,522	1,587,704
Capital projects	366,308	---	366,308	---	380,532	14,224
Business-type activities	---	688,323	688,323	727,151	763,584	75,261
<b>Total Disbursements</b>	<b>\$ 2,309,070</b>	<b>\$ 688,323</b>	<b>\$ 2,997,393</b>	<b>\$ 2,591,910</b>	<b>\$ 4,778,495</b>	<b>\$ 1,781,102</b>

See accompanying independent auditor's report.



**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Excess (deficiency) of receipts over (under) disbursements	\$ (200,277)	\$ (42,929)	\$ (243,206)	\$ (105,904)	\$ (2,048,698)	\$ 1,805,492
Other financing sources (uses), net	1,590,775	---	1,590,775	---	1,615,000	(24,225)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 1,390,498	\$ (42,929)	\$ 1,347,569	\$ (105,904)	\$ (433,698)	\$ 1,781,267
Balances, beginning of year	1,068,188	571,156	1,639,344	1,639,344	1,639,344	---
Balances, end of year	<u>\$ 2,458,686</u>	<u>\$ 528,227</u>	<u>\$ 2,986,913</u>	<u>\$ 1,533,440</u>	<u>\$ 1,205,646</u>	<u>\$ 1,781,267</u>

See accompanying independent auditor's report.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**NOTES TO OTHER INFORMATION  
BUDGETARY REPORTING  
JUNE 30, 2012**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,186,585. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amount budgeted in any function.

**SUPPLEMENTARY  
INFORMATION**

**SCHEDULE "1"**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue		
	Road Use Tax	Local Option Sales Tax	Total
<b>Receipts:</b>			
Other city tax	\$ ---	\$ 142,359	\$ 142,359
Use of money and property	---	375	375
Intergovernmental	130,610	---	130,610
Total receipts	\$ 130,610	\$ 142,734	\$ 273,344
<b>Disbursements:</b>			
Operating:			
Public works	\$ 119,600	\$ ---	\$ 119,600
Excess (deficiency) of receipts over (under) disbursements	\$ 11,010	\$ 142,734	\$ 153,744
<b>Other financing sources (uses):</b>			
Transfers out	\$ ---	\$ (125,317)	\$ (125,317)
Net change in cash balances	\$ 11,010	\$ 17,417	\$ 28,427
Cash balances beginning of year	28,881	75,998	104,879
Cash balances end of year	\$ 39,891	\$ 93,415	\$ 133,306
<b>Cash Basis Fund Balances:</b>			
Restricted for special revenue purposes	\$ 39,891	\$ 93,415	\$ 133,306

See accompanying independent auditors report.

CITY OF PEOSTA  
PEOSTA, IOWASCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Debt:									
Corporate Purpose Bonds - Street, sidewalk, and storm sewer	Dec. 15, 2006	3.90-4.30%	2,105,000	\$ 1,550,000	\$ ---	\$ 130,000	\$1,420,000	\$ 63,410	\$ ---
Corporate Purpose Bonds - Looping project, water and sewer	Sep. 15, 2007	4.0-4.25%	825,000	625,000	---	80,000	545,000	25,675	---
Sewer Improvement Bonds	Nov. 1, 2008	3.75-4.30%	500,000	370,000	---	70,000	300,000	14,628	---
Refunding Bonds	Jan. 1, 2012	1.00-2.20%	1,615,000	---	1,615,000	---	1,615,000	9,905	---
Total				\$ 2,545,000	\$1,615,000	\$ 280,000	\$3,880,000	\$ 113,618	\$ ---

See accompanying independent auditor's report.

**SCHEDULE "3"**

**CITY OF PEOSTA  
PEOSTA, IOWA**

**BOND AND NOTE MATURITIES  
JUNE 30, 2012**

Year Ending June 30,	General Obligation Debt					
	Corporate Purpose Bonds- Street, Sidewalk & Storm Sewer	Corporate Purpose Bonds- Looping Project, Water & Sewer	Sewer Improvement Bonds	Refunding Bonds		
	Issued Dec. 15, 2006	Issued Sep. 15, 2007	Issued Nov. 1, 2008	Issued Jan. 1, 2012		
	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Amount	Amount
2013	3.90%	\$ 135,000	\$ 80,000	1.00%	\$ ---	---
2014	3.95%	140,000	85,000	1.00%	---	---
2015	4.00%	145,000	90,000	1.00%	280,000	280,000
2016	4.05%	150,000	95,000	1.15%	285,000	285,000
2017	4.10%	155,000	95,000	1.35%	280,000	280,000
2018	4.15%	165,000	100,000	1.55%	290,000	290,000
2019	4.20%	170,000	---	1.80%	190,000	190,000
2020	4.25%	175,000	---	2.00%	190,000	190,000
2021	4.30%	185,000	---	2.20%	100,000	100,000
		<u>\$ 1,420,000</u>	<u>\$ 545,000</u>		<u>\$ 300,000</u>	<u>\$ 1,615,000</u>

See accompanying independent auditor's report.

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor  
and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 21, 2013. Our report expressed a qualified opinion on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. These financial statements were prepared in conformity with an other comprehensive basis of accounting. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included a disclaimer of opinion on the other information.

### **Internal Control Over Financial Reporting**

The management of the City of Peosta is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Peosta's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Peosta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Peosta's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility a material misstatement of the City of Peosta's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Peosta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Peosta's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Peosta and other parties to whom the City of Peosta may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Peosta during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*  
Dubuque, Iowa  
January 21, 2013



**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**MATERIAL WEAKNESSES:**

I-A-12     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual at the City has custody of receipts and performs all recordkeeping and reconciling functions for the accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances.

Response - We will attempt to segregate duties as much as possible with the existing personnel.

Conclusion - Response accepted.

**CITY OF PEOSTA  
PEOSTA, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-12 Certified Budget - We noted no disbursements during the year ended June 30, 2012, that exceeded the amount budgeted in any function.
- II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions - No business transaction between the City and City officials or employees were noted.
- II-E-12 Bond Coverage- Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-12 Annual Financial Report - The Annual Financial Report (AFR) was filed by December 1 as required by Chapters 384.22 of the Code of Iowa. However, the AFR does not agree in total to the financial statements due to the cash placed in escrow from the general obligation refunding bonds proceeds not being included as cash on the AFR.

Recommendation - The City should amend the fiscal year 2012 AFR.

Response - We are in the process of amending the fiscal year 2012 AFR.

Conclusion - Response accepted.